

**NEW BEGINNINGS --
COMMUNITY DEVELOPMENT CORPORATION
PORT ALLEN, LOUISIANA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2011**

NEW BEGINNINGS -- COMMUNITY DEVELOPMENT CORPORATION
TABLE OF CONTENTS
DECEMBER 31, 2011

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-11
Schedule 1: Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12-13
Schedule 2: Schedule of Findings and Questioned Costs	14-15
Schedule 3: Schedule of Prior Year Findings and Questioned Costs	16

BAXLEY AND ASSOCIATES, LLC

P. O. Box 482
58225 Belleview Drive
Plaquemine, Louisiana 70764
Phone (225) 687-6630 Fax (225) 687-0365

Hugh F. Baxley, CPA/CVA/PFS/FCPA
Margaret A. Pritchard, CPA

Staci H. Joffrion, CPA

Board of Directors
New Beginnings – Community Development Corporation
Port Allen, Louisiana

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of financial position of New Beginnings – Community Development Corporation (a nonprofit organization) as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of New Beginnings – Community Development Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Beginnings – Community Development Corporation as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2012, on our consideration of New Beginnings – Community Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Baxley & Associates, LLC

Plaquemine, Louisiana
June 18, 2012

**NEW BEGINNINGS --
COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011**

ASSETS

Current Assets	
Cash and cash equivalents	\$ 38,434
Petty cash	300
Accounts receivable	95,616
Prepaid insurance	<u>2,021</u>
Total Current Assets	<u>136,371</u>
Property and Equipment	
Furniture and fixtures	18,049
Less: Accumulated depreciation	<u>(10,329)</u>
Total Property and Equipment	<u>7,720</u>
TOTAL ASSETS	<u>\$ 144,091</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 21,077
Payroll taxes withheld and accrued	1,741
Leases payable	90
Line of credit - American Gateway Bank	<u>18,000</u>
Total Current Liabilities	<u>40,908</u>
Net Assets	
Unrestricted	<u>103,183</u>
Total Net Assets	<u>103,183</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 144,091</u>

The accompanying notes are an integral part of this statement.

**NEW BEGINNINGS--
COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Total</u>
REVENUES, GRANTS AND OTHER SUPPORT	
Federal grants	\$ 322,807
Other grants	34,528
Contributions	20,000
Program service revenue	20,317
Interest	116
Other income	<u>6,400</u>
TOTAL REVENUES, GRANTS, AND OTHER SUPPORT	<u>404,168</u>
EXPENSES	
Program services	341,213
Management and general	29,612
Fundraising	<u>1,995</u>
TOTAL EXPENSES	<u>372,820</u>
CHANGE IN NET ASSETS	<u>31,348</u>
NET ASSETS AT BEGINNING OF YEAR	74,050
RESTATE BEGINNING NET ASSETS	<u>(2,215)</u>
NET ASSETS AT BEGINNING OF YEAR AS RESTATED	<u>71,835</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 103,183</u></u>

The accompanying notes are an integral part of this statement.

NEW BEGINNINGS -- COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
EXPENSES				
Salaries	\$ 80,311	\$ 4,318	\$ 1,727	\$ 86,356
Payroll taxes	5,728	308	123	6,159
Fringe benefits	6,735	362	145	7,242
Bank fees	-	463	-	463
Program contract labor	189,474	-	-	189,474
Depreciation	-	5,677	-	5,677
Dues and subscriptions	-	177	-	177
Evaluations	2,000	-	-	2,000
Insurance	532	-	-	532
Interest	-	1,151	-	1,151
Miscellaneous	300	950	-	1,250
Postage	606	-	-	606
Printing	1,464	-	-	1,464
Professional fees	-	13,461	-	13,461
Rent	2,370	125	-	2,495
Staff Volunteer Development	1,055	-	-	1,055
Supplies	12,713	1,413	-	14,126
Telephone	2,486	829	-	3,314
Travel	1,253	221	-	1,474
Transportation	31,187	-	-	31,187
Utilities	2,999	158	-	3,157
TOTAL EXPENSES	<u>\$ 341,213</u>	<u>\$ 29,612</u>	<u>\$ 1,995</u>	<u>\$ 372,820</u>

The accompanying notes are an integral part of this statement.

NEW BEGINNINGS -- COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 31,348
Adjustments to reconcile net assets to net cash provided by operating activities:	
Depreciation	5,677
(Increase) in accounts receivable	(67,076)
(Increase) in prepaid insurance	(2,021)
Increase in accounts payable	14,332
(Decrease) in accounts payable	(1,883)
(Decrease) in rent payable	(625)
	<u>(20,248)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
	<u>(20,248)</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of capital assets	<u>(2,444)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(2,444)</u>
CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from line of credit	59,000
Principal payments on line of credit	<u>(55,700)</u>
NET CASH (USED) BY FINANCING ACTIVITIES	<u>3,300</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(19,392)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	60,341
RESTATE CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>(2,215)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR AS RESTATED	<u>58,126</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 38,734</u></u>
SUMMARY OF CASH AND CASH EQUIVELENTS:	
Cash and cash equivalents	\$ 38,434
Petty cash	300
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 38,734</u></u>
Supplemental Data	
Interest paid	<u><u>\$ 1,150</u></u>

The accompanying notes are integral part of this statement.

NEW BEGINNINGS – COMMUNITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Beginnings – Community Development Corporation is a 501(c)3 non-profit organization formed in 2000, and located in Port Allen, Louisiana. The mission of New Beginnings is to cultivate social and economic development in West Baton Rouge Parish. The goal of New Beginnings – Community Development Corporation is to improve the quality of life in the community by providing educational support, life skills training, and enrichment and growth opportunities for youth and their families. New Beginnings – Community Development Corporation's mentoring, summer, and after school programs provide a well-rounded menu of services that is designed to meet the educational, vocational, physical, social, and psychological needs of the whole child. New Beginnings – Community Development Corporation serves West Baton Rouge Parish students from Pre-Kindergarten to 12th grade. The primary source of income for New Beginnings – Community Development Corporation is derived from grants.

Reporting Entity

New Beginnings – Community Development Corporation is an independent non-profit organization with its own board of directors, mission, and vision. The board members are made up of volunteers who do not receive compensation for serving. New Beginnings – Community Development Corporation is not a component unit of another primary government nor does it have any component units which are related to it. Therefore, New Beginnings – Community Development Corporation has presented its financial statements as a separate special-purpose entity.

Basis of Accounting

The financial statements are prepared on the accrual basis wherein revenues are recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, New Beginnings – Community Development Corporation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Bad Debts

Uncollectible accounts receivable are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. At December 31, 2011, there were no amounts considered to be uncollectible.

NEW BEGINNINGS – COMMUNITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS

Property & Equipment and Depreciation

Property and equipment are stated at cost, unless donated. Donated property and equipment is stated at fair market value as of the date of the gift. The policy implemented by New Beginnings --- Community Development Corporation for the capitalization of property and equipment is to capitalize all items which have a cost greater than \$500. Depreciation is charged to operations using the straight-line method over the estimated useful lives as follows:

Buildings	30-40 years
Vehicles	5 years
Furniture and fixtures	3-10 years

Revenues

The majority of the Organization's revenue is derived from U.S. Department of Education federal grants that are passed through the Louisiana Department of Education.

Income Taxes

New Beginnings is a nonprofit organization and has been granted tax exempt status under Section 501(c)(3) of the Internal Revenue Service. Therefore, the Organization has not recorded a provision for income taxes in the accompanying financial statements and the Organization does not have any uncertain tax positions. The Organization files a federal tax return under U.S. federal jurisdiction.

Contributions

The Organization has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Financial Statement Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. As permitted by the Statement, the Organization has discontinued its use of fund accounting.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NEW BEGINNINGS – COMMUNITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE B – DEPOSITS AND CASH EQUIVALENTS

At year end, New Beginnings – Community Development Corporation's carrying amount of deposits was \$38,434 and the bank balances were \$43,158. The entire bank balance was covered by federal depository insurance.

NOTE C - ACCOUNTS RECEIVABLE

The accounts receivable for the year ended December 31, 2011 is as follows:

Louisiana Department of Education	\$ 74,626
Arts Council	990
Corporate support	<u>20,000</u>
TOTAL ACCOUNTS RECEIVABLE	<u>\$ 95,616</u>

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment is scheduled as follows:

	<u>BALANCE</u> <u>1/1/2011</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/2011</u>
Furniture and fixtures	\$ 15,605	\$ 2,444	\$ -	\$ 18,049
Accumulated depreciation	<u>(4,652)</u>	<u>(5,677)</u>	<u>-</u>	<u>(10,329)</u>
Total Property and Equipment	<u>\$ 10,953</u>			<u>\$ 7,720</u>

NOTE E – LEASES

New Beginnings – Community Development Corporation has the following leases as of December 31, 2011:

- Intracoastal Self Storage – storage unit. The lease term is 12 months with monthly payments of \$90 beginning in April 2011 and ending in April 2012.

NEW BEGINNINGS – COMMUNITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE F – LINE OF CREDIT

In April 2010, New Beginnings – Community Development Corporation obtained a \$35,000 unsecured revolving line of credit from American Gateway Bank to help finance its short-term capital needs. Interest is payable monthly on outstanding balances at an interest rate of 7.75%. The balance of the line of credit at December 31, 2011 was \$18,000. The following is a summary of the activity of the line of credit for the year ended December 31, 2011:

	<u>2011</u>
Balance, December 31, 2010	\$ 14,700
Draws made during year	59,000
Payments made during year	<u>(55,700)</u>
Balance, December 31, 2011	<u>\$ 18,000</u>

NOTE G – GRANTS

New Beginnings – Community Development Corporation received funding from various grants through local foundations and federal agencies. New Beginnings – Community Development Corporation received the following grants for the year ended December 31, 2011:

	<u>2011</u>
U.S Department of Education - pass-through grant from Louisiana Department of Education	\$ 322,807
Other Grants:	
Wilson Foundation grant	30,000
Arts Council Grant	<u>4,528</u>
Total Grants	<u>\$ 357,335</u>

NOTE H – PRIOR PERIOD ADJUSTMENT

New Beginnings – Community Development Corporation has an outside company that writes their payroll checks and issues payroll tax reports. This company provides payroll reports for entry into New Beginnings' accounting system. In December 2010, a \$2,215 payroll check was inadvertently omitted from New Beginnings' accounting system. The change in net assets was as follows:

Beginning Net Assets, January 1, 2011	\$ 74,050
Payroll correction	<u>(2,215)</u>
Restated Beginning Net Assets, January 1, 2011	<u>\$ 71,835</u>

NEW BEGINNINGS – COMMUNITY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE I – ACCOUNTING FOR UNCERTAIN TAX POSITIONS

On January 1, 2009, the Organization adopted the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASB Accounting Standards Codification. The implementation of this Topic has no impact on the statement of financial position or statement of activities.

All tax returns have been appropriately filed by the Organization. The Organization recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The Organization's tax filings are subject to audit by various taxing authorities. The Organization's open audit periods are 2009 through 2011. Management evaluated the Organization's tax position and concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

NOTE J – LITIGATION

New Beginnings has one claim filed against them from a contractor who alleges that she was hurt while moving furniture on location, therefore making it a worker's compensation matter. New Beginnings did not have Worker's Compensation Insurance at the time of the incident. The courts have suggested that both parties have a mediation conference. Due to the nature of this case, the attorney has stated that the outcome would be extremely difficult to predict. No adjustments are reflected in the financial statements related to this litigation.

NOTE K – SUBSEQUENT EVENTS

These financial statements considered subsequent events through June 18, 2012, the date the financial statements were available to be issued.

BAXLEY AND ASSOCIATES, LLC

P. O. Box 482
58225 Belleview Drive
Plaquemine, Louisiana 70764
Phone (225) 687-6630 Fax (225) 687-0365

Board of Directors
New Beginnings – Community Development Corporation
Port Allen, Louisiana

Hugh F. Baxley, CPA/CVA/PFS/FCPA
Margaret A. Pritchard, CPA

Staci H. Joffrion, CPA **SCHEDULE 1**

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements New Beginnings – Community Development Corporation (a nonprofit organization) as of and for the year ended December 31, 2011, and have issued our report thereon dated June 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of New Beginnings – Community Development Corporation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered New Beginnings - Community Development Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the New Beginnings - Community Development Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the New Beginnings - Community Development Corporation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect, and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting (2011-1). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**SCHEDULE 1
(continued)**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Beginnings - Community Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

New Beginnings - Community Development Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit New Beginnings - Community Development Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the management of the New Beginnings - Community Development Corporation's Office and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

Baxley & Associates, LLC

Plaquemine, Louisiana
June 18, 2012

SCHEDULE 2

NEW BEGINNINGS – COMMUNITY DEVELOPMENT CORPORATION SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2011

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: *unqualified*

Internal control over financial reporting:

- | | | |
|---|------------|-----------|
| ▪ Material weaknesses identified? | _____yes | ___X___no |
| ▪ Significant deficiency identified that is not considered to be material weaknesses? | ___X___yes | _____no |
| ▪ Noncompliance material to financial statements noted? | _____yes | ___X___no |

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2011-1 LACK OF CONTROLS OVER FINANCIAL REPORTING IN ACCORDANCE WITH GAAP

Condition:

New Beginnings did not fully prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a repeat finding.

Criteria:

Year-end adjusting journal entries were not made to the financial statements to ensure that the statements were prepared in accordance with generally accepted accounting principles.

Effect:

As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting entries and to prepare the annual financial statements. This condition is intentional by management based upon the financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established.

Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls. Recently issued Statement on Auditing Standards (SAS) 112 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with non audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

**NEW BEGINNINGS – COMMUNITY DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2011**

Recommendation:

As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 112's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 112. In this case we do not believe the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Management's Response:

New Beginnings' management and the governing board understand their responsibility in the preparation of the financial statements, and that having the auditor play a role in the preparation of the financial statements will continue to result in a material weakness in our future audits. At this time, we believe that the benefit of hiring additional staff with expertise in GAAP accounting (like a CPA) does not outweigh the cost and is, therefore, cost-prohibitive to us. New Beginnings, however, remains committed to improving our financial position of our company. New Beginnings will embrace the lessons learned by reviewing the types of year-end journal entries and accounting principles that the auditor utilized and will make reasonable efforts to improve our accounting practices accordingly

SCHEDULE 4

NEW BEGINNINGS – COMMUNITY DEVELOPMENT CORPORATION SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2011

2010-1 LACK OF CONTROLS OVER FINANCIAL REPORTING IN ACCORDANCE WITH GAAP

Condition:

New Beginnings did not fully prepare financial statements in accordance with generally accepted accounting principles (GAAP).

Recommendation:

As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 112's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 112. In this case we do not believe the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Current Status:

This condition still exists in the current year.